

AMENDED IN ASSEMBLY MAY 15, 2014

AMENDED IN ASSEMBLY APRIL 29, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1569

Introduced by Assembly Member Rodriguez

January 30, 2014

An act to add and repeal Section 3073.7 of the Labor Code, and to add and repeal Sections 17053.10, 19560.3, and 23667 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1569, as amended, Rodriguez. Income taxes: credits: apprenticeships.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws. Existing law provides for the establishment of apprenticeship programs in various trades, to be approved by the Chief of the Division of Apprenticeship Standards in any trade in the state or in a city or trade area whenever the apprentice training needs justify the establishment.

This bill, for taxable years beginning on or after January 1, 2016, and before January 1, 2020, would allow a credit against the taxes imposed under those tax laws in an amount equal to \$2,000 for each registered apprentice, as defined, trained by the taxpayer in the taxable year. This bill would require the Division of Apprenticeship Standards in the Department of Industrial Relations, among other things, to establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards and the Franchise Tax Board,

to apply and receive a certificate for purposes of the credit. This bill would also require the Division of Apprenticeship Standards to prepare reports for each of the 5 calendar years beginning on January 1, 2017, and before January 1, 2022, containing specified information relating to the credits, to be submitted to the Assembly and Senate Appropriations Committees, the Assembly Revenue and Taxation Committee, and the Senate Governance and Finance Committee on or before March 1 of the following calendar year, commencing March 1, 2018.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3073.7 is added to the Labor Code, to
2 read:
3 3073.7. (a) The Division of Apprenticeship Standards shall
4 prepare reports on the apprenticeship income tax credits allowed
5 under Sections 17053.10 and 23667 of the Revenue and Taxation
6 Code. The reports shall be for each of the five calendar years
7 beginning on January 1, 2017, and before January 1, 2022, and
8 shall include, but not be limited to, the following information:
9 (1) The number of companies or businesses taking advantage
10 of the apprenticeship income tax credit.
11 (2) The number of apprentices participating in the apprenticeship
12 programs and the number of apprentices who completed an
13 apprenticeship program which was the basis of the apprenticeship
14 income tax credits allowed under Sections 17053.10 and 23667
15 of the Revenue and Taxation Code.
16 (3) The number of apprentices that were hired by the taxpayer
17 after the apprenticeship training was completed for which the
18 taxpayer was allowed a credit under Sections 17053.10 and 23667
19 of the Revenue and Taxation Code for training that apprentice.
20 (4) Information on the employment status of individuals who
21 have completed an apprenticeship to the extent the information is
22 available.
23 (5) The fiscal impact of the apprenticeship income tax credits.
24 (b) This report shall be submitted to the Assembly and Senate
25 Appropriations Committees, the Assembly Revenue and Taxation

Committee, and the Senate Governance and Finance Committee on or before March 1 of the following calendar year, commencing March 1, 2018.

(c) This section shall be repealed on January 1, 2023.

SEC. 2. Section 17053.10 is added to the Revenue and Taxation Code, to read:

17053.10. (a) For each taxable year beginning on or after January 1, 2016, and before January 1, 2020, there shall be allowed as a credit against the “net tax,” as defined in Section 17039, in an amount equal to two thousand dollars (\$2,000) for each registered apprentice trained by the taxpayer in the taxable year.

(b) For purposes of this section, “registered apprentice” means an individual who meets all of the following requirements:

(1) Is 16 years of age or older at the time of application into the program.

~~(2) Has not obtained a high school diploma, and is enrolled in high school or a General Education Development test preparation program, or is currently enrolled for the duration of the program and remains enrolled and completes the program while participating in the apprenticeship.~~

(2) *Meets one of the following requirements:*

(A) *Has not obtained a high school diploma and is enrolled in high school or a General Education Development test preparation program.*

(B) *Has obtained a high school diploma or General Education Development credential while participating in the apprenticeship.*

(3) Is trained by the taxpayer through an apprenticeship program that meets all of the following requirements:

(A) The apprenticeship program is approved by the Chief of the Division of Apprenticeship Standards pursuant to Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code and is also registered with the Office of Apprenticeship at the United States Department of Labor.

(B) The program is provided pursuant to an apprenticeship agreement as described in Section 3077 of the Labor Code.

(C) The minimum term in hours for the program is 4,000 hours.

(c) (1) (A) A credit shall only be allowed under this section for the taxable year if the taxpayer has received the certificate described in subparagraph (B) from the Division of Apprenticeship Standards in the Department of Industrial Relations. A certificate

1 is required for each taxable year. The taxpayer shall provide a copy
2 of the certificate to the Franchise Tax Board upon request.

3 (B) The Division of Apprenticeship Standards shall do all of
4 the following:

5 (i) Establish a procedure for taxpayers, in the form and manner
6 jointly prescribed by the Division of Apprenticeship Standards
7 and the Franchise Tax Board, to apply and receive a certificate for
8 purposes of this section.

9 (ii) Verify that the taxpayer is training during the taxable year
10 an individual that meets the requirements to be a registered
11 apprentice as described in subdivision (b).

12 (iii) Provide the taxpayer with a certificate for the registered
13 apprentice. The certificate shall contain the name of the taxpayer
14 and the name of the apprentice, a brief description of the
15 apprenticeship, the primary location of the apprenticeship, and any
16 other information the Division of Apprenticeship Standards or the
17 Franchise Tax Board deems relevant.

18 (iv) Annually provide the Franchise Tax Board with a list of
19 the names of the taxpayers that received certificates and the names
20 of the registered apprentices of the taxpayer. The list may also
21 contain any other information from the certificates.

22 (v) Inform the Franchise Tax Board if the Division of
23 Apprenticeship Standards has knowledge that the training of a
24 registered apprentice is terminated prior to the completion of the
25 apprenticeship program after the taxpayer has received a certificate.

26 (2) The Division of Apprenticeship Standards may adopt rules
27 and regulations as reasonably necessary to effectuate this
28 subdivision, but shall consult with the Franchise Tax Board.

29 (d) In the case where the credit allowed by this section exceeds
30 the “net tax,” the excess may be carried over to reduce the “net
31 tax” in the following year, and succeeding four years, if necessary,
32 until the credit is exhausted.

33 (e) The Franchise Tax Board may prescribe rules, guidelines,
34 or procedures necessary or appropriate to carry out the purposes
35 of this section, except as otherwise specified in subdivision (c).

36 (f) (1) Except as provided in paragraph (2), if the training of a
37 registered apprentice is terminated prior to the completion of the
38 apprenticeship program, any unused carryover of the credit shall
39 be canceled and any previously claimed credit that reduced net tax

1 shall be recaptured by increasing the tax imposed by this part for
2 the taxable year in which the training is terminated.

3 (2) Paragraph (1) shall not apply if the training of a registered
4 apprentice was terminated due to any of the following:

5 (A) The registered apprentice voluntarily leaves the
6 apprenticeship program.

7 (B) The registered apprentice, before the end of the completion
8 of the apprenticeship program described in paragraph (3) of
9 subdivision (b), becomes disabled and unable to perform the
10 services of that program, unless that disability is removed before
11 the close of the period of that program and the taxpayer fails to
12 offer reinstatement to the program for that apprentice.

13 (C) The training of a registered apprentice was terminated due
14 to the misconduct, as defined in Sections 1256-30 to 1256-43,
15 inclusive, of Title 22 of the California Code of Regulations, of that
16 apprentice.

17 (D) The training of a registered apprentice was terminated due
18 to a substantial reduction in the trade or business operations of the
19 taxpayer.

20 (g) *A deduction otherwise allowed under this part for any*
21 *amount paid or incurred by the qualified taxpayer in training a*
22 *registered apprentice as a trade or business expense shall be*
23 *reduced by the amount of the credit allowed by this section.*

24 ~~(g)~~

25 (h) This section shall remain in effect only until December 1,
26 2020, and as of that date is repealed.

27 SEC. 3. Section 19560.3 is added to the Revenue and Taxation
28 Code, to read:

29 19560.3. (a) The Franchise Tax Board shall provide the
30 Division of Apprenticeship Standards in the Department of
31 Industrial Relations with any information necessary to prepare the
32 report required pursuant to Section 3073.7 of the Labor Code.

33 (b) *This section shall be repealed on January 1, 2023.*

34 SEC. 4. Section 23667 is added to the Revenue and Taxation
35 Code, to read:

36 23667. (a) For each taxable year beginning on or after January
37 1, 2016, and before January 1, 2020, there shall be allowed as a
38 credit against the "tax," as defined in Section 23036, in an amount
39 equal to two thousand dollars (\$2,000) for each registered
40 apprentice trained by the taxpayer in the taxable year.

(b) For purposes of this section, “registered apprentice” means an individual who meets all of the following requirements:

(1) Is 16 years of age or older at the time of application into the program.

~~(2) Has not obtained a high school diploma, and is enrolled in high school or a General Education Development test preparation program, or is currently enrolled for the duration of the program and remains enrolled and completes the program while participating in the apprenticeship.~~

(2) *Meets one of the following requirements:*

(A) *Has not obtained a high school diploma and is enrolled in high school or a General Education Development test preparation program.*

(B) *Has obtained a high school diploma or General Education Development credential while participating in the apprenticeship.*

(3) Is trained by the taxpayer through an apprenticeship program that meets all of the following requirements:

(A) The apprenticeship program is approved by the Chief of the Division of Apprenticeship Standards pursuant to Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code and is also registered with the Office of Apprenticeship at the United States Department of Labor.

(B) The program is provided pursuant to an apprenticeship agreement as described in Section 3077 of the Labor Code.

(C) The minimum term in hours for the program is 4,000 hours.

(c) (1) (A) A credit shall only be allowed under this section for the taxable year if the taxpayer has received the certificate described in subparagraph (B) from the Division of Apprenticeship Standards in the Department of Industrial Relations. A certificate is required for each taxable year. The taxpayer shall provide a copy of the certificate to the Franchise Tax Board upon request.

(B) The Division of Apprenticeship Standards shall do all of the following:

(i) Establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards and the Franchise Tax Board, to apply and receive a certificate for purposes of this section.

(ii) Verify that the taxpayer is training during the taxable year an individual that meets the requirements to be a registered apprentice as described in subdivision (b).

1 (iii) Provide the taxpayer with a certificate for the registered
2 apprentice. The certificate shall contain the name of the taxpayer
3 and the name of the apprentice, a brief description of the
4 apprenticeship, the primary location of the apprenticeship, and any
5 other information the Division of Apprenticeship Standards or the
6 Franchise Tax Board deems relevant.

7 (iv) Annually provide the Franchise Tax Board with a list of
8 the names of the taxpayers that received certificates and the names
9 of the registered apprentices of the taxpayer. The list may also
10 contain any other information from the certificates.

11 (v) Inform the Franchise Tax Board if the Division of
12 Apprenticeship Standards has knowledge that the training of a
13 registered apprentice is terminated prior to the completion of the
14 apprenticeship program after the taxpayer has received a certificate.

15 (2) The Division of Apprenticeship Standards may adopt rules
16 and regulations as reasonably necessary to effectuate this
17 subdivision, but shall consult with the Franchise Tax Board.

18 (d) In the case where the credit allowed by this section exceeds
19 the “tax,” the excess may be carried over to reduce the “net tax”
20 in the following year, and succeeding four years, if necessary, until
21 the credit is exhausted.

22 (e) The Franchise Tax Board may prescribe rules, guidelines,
23 or procedures necessary or appropriate to carry out the purposes
24 of this section, except as otherwise specified in subdivision (c).

25 (f) (1) Except as provided in paragraph (2), if the training of a
26 registered apprentice is terminated prior to the completion of the
27 apprenticeship program, any unused carryover of the credit shall
28 be canceled and any previously claimed credit that reduced tax
29 shall be recaptured by increasing the tax imposed by this part for
30 the taxable year in which the training is terminated.

31 (2) Paragraph (1) shall not apply if the training of a registered
32 apprentice was terminated due to any of the following:

33 (A) The registered apprentice voluntarily leaves the
34 apprenticeship program.

35 (B) The registered apprentice, before the end of the completion
36 of the apprenticeship program described in paragraph (3) of
37 subdivision (b), becomes disabled and unable to perform the
38 services of that program, unless that disability is removed before
39 the close of the period of that program and the taxpayer fails to
40 offer reinstatement to the program for that apprentice.

1 (C) The training of a registered apprentice was terminated due
2 to the misconduct, as defined in Sections 1256-30 to 1256-43,
3 inclusive, of Title 22 of the California Code of Regulations, of that
4 apprentice.

5 (D) The training of a registered apprentice was terminated due
6 to a substantial reduction in the trade or business operations of the
7 taxpayer.

8 *(g) A deduction otherwise allowed under this part for any*
9 *amount paid or incurred by the qualified taxpayer in training a*
10 *registered apprentice as a trade or business expense shall be*
11 *reduced by the amount of the credit allowed by this section.*

12 ~~(g)~~
13 *(h)* This section shall remain in effect only until December 1,
14 2020, and as of that date is repealed.

15 SEC. 5. This act provides for a tax levy within the meaning of
16 Article IV of the Constitution and shall go into immediate effect.